DISSENTING VIEWS TO H.R. 1701

Although the version of H.R. 1701 that the Committee on the Judiciary considered is an improvement over the bill that was introduced, we still have significant concerns with the legislation because it preempts strong State consumer protection laws, particularly those of Wisconsin, New Jersey, Minnesota, and Vermont.

It is ironic that although many in the Majority profess to respect States' rights, this bill would undermine States' ability to perform their traditional functions in with respect to consumer protection. Although federal regulation is appropriate to set minimum standards, we should not prohibit States from protecting their own consumers in the manner they see fit. This is especially true for the rental-purchase or "rent-to-own" industry,[1] whose low-income customer base is most in need of protection from usurious costs and unfair practices.

H.R. 1701 *expressly supersedes* State laws that treat a rent-to-own agreement as a credit sale, and that require the disclosure of a percentage rate calculation, time-price differential, or an annual percentage rate ("APR").[2] As such, rent-to-own transactions cannot be subjected to state usury laws and finance charge limits, as well as APR and other meaningful disclosures.

H.R. 1701 is opposed by 52 Attorneys General, which criticized the bill's preemption of State laws that regulate rent-to-own transactions as a credit sale or similar arrangement or that require the disclosure to consumers of effective interest or annual percentage rates.[3] The National Association of Attorneys General wrote, in opposition to H.R. 1701,

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[1]The two largest, nationwide rent-to-own chains have been subject to numerous investigations and lawsuits in the past several years. Rent-Way, Inc. has been the subject of both internal and external investigations for long-term accounting improprieties that substantially understated the company's expenses, reportedly by as much as $127 million during one two-year period. Queena Sook Kim, *Rent-Way Details Improper Bookkeeping, Expenses Were Artificially Cut by $127 Million, Report Says*, Wall St. J., June 8, 2001. Likewise, a number of shareholder suits were filed earlier this year against Rent-A-Center, Inc., charging the company with making false statements regarding quarterly earnings and future prospects that were intended to mislead the public and benefit secondary stock offerings by company executives. *Cauley Geller Bowman & Coates, LLP Announces Class Action Lawsuit Against Rent-A-Center Inc. on Behalf of Investors*, www.morningstar.com, Jan. 30, 2002. Furthermore, Rent-A-Center also recently paid millions of dollars to settle class action lawsuit alleging both racial and gender discrimination. *Rent-A-Center, Inc. Announces Settlement in Principle of Gender Litigation*, www.yahoo.com, Nov. 1, 2001; *Rent-A Center Settles Suit Alleging Racial Discrimination*, www.kansascity.becentral.com, Oct. 26, 1998.

[2]H.R. 1701, Sec. 1018.

[3]Letter from National Association of Attorneys General to House Committee on Financial Institutions, Subcommittee on Financial Institutions and Consumer Credit, Sept. 5, 2001.

> Consumer protection, including in the area of consumer credit, has historically been an appropriate matter for State regulation, alone or in concert with federal authorities. Thus, a number of federal consumer statutes – including the statute of which H.R. 1701 would become a part – expressly exempt from preemption State laws that are more protective of consumers than related federal standards. [Citations omitted.] This same approach should be adopted in connection with H.R. 1701: to set a federal "floor" for rent-to-own disclosures, but not to bar the States from responding to local conditions and concerns through the enactment of more protective standards. In that way, the goal of protecting consumers can be advanced within a federalist framework.[4]

Likewise, H.R. 1701 is opposed by every national consumer group and several labor unions, as well as dozens of state and local consumer groups. Its opponents include Consumer Federation of America, Consumers Union, UAW, United Steelworkers, National Consumer Law Center, U.S. PIRG, ACORN, National Community Reinvestment Coalition, and Consumer Action.[5] All of these groups oppose the bill's preemption of strong State consumer protection laws that treat rent-to-own transactions as credit sales and, therefore, require the disclosure of the cost of credit and often-exorbitant 100-250% APRs.[6]

Consumers need more – not less – protection from predatory financial practices. We cannot support a bill that undermines State pro-consumer laws.

John Conyers, Jr.
Barney Frank
Robert C. Scott
Sheila Jackson Lee
Maxine Waters
William D. Delahunt
Tammy Baldwin

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[4] *Id.*

[5] Letter from Ed Mierzwinski, Consumer Program Director, U.S. PIRG, to Members of House Judiciary Committee, Sept. 5, 2002.

[6] Letter from ACORN, *et. al.* to U.S. Representatives, June 12, 2002.